

VZCZCXRO1442
RR RUEHCHI RUEHCN RUEHDT RUEHHM
DE RUEHJA #1015/01 1440037
ZNR UUUUU ZZH
R 230037Z MAY 08
FM AMEMBASSY JAKARTA
TO RUEHC/SECSTATE WASHDC 9081
RUEATRS/DEPT OF TREASURY WASHDC
INFO RUEHXS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEHRC/USDA WASHINGTON DC
RUEHKO/AMEMBASSY TOKYO 2005
RUEHBJ/AMEMBASSY BEIJING 5065
RUEHBY/AMEMBASSY CANBERRA 2539
RUEHUL/AMEMBASSY SEOUL 4613
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 02 JAKARTA 001015

SIPDIS
SENSITIVE

DEPT FOR EAP/MTS AND EB/IFD/OMA
TREASURY FOR IA-SETH SEARLS AND JWEEKS
SINGAPORE FOR SBAKER
TOKYO FOR MGREWE
COMMERCE FOR 4430/KELLY
DEPARTMENT PASS FEDERAL RESERVE SAN FRANCISCO FOR TCURRAN
DEPARTMENT PASS EXIM BANK
USDA/FAS/OA YOST, MILLER, JACKSON
USDA/FAS/OCRA CRIKER, HIGGISTON, RADLER
USDA/FAS/OGA CHAUDRY, DWYER

E.O. 12598: N/A
TAGS: [EFIN](#) [EAGR](#) [ECON](#) [PGOV](#) [ID](#)
SUBJECT: AMBASSADOR MARCIEL DISCUSSES ASEAN, ECONOMY

REF: Jakarta 914

¶1. (SBU) Summary. During their May 8 meeting, ASEAN Secretary General Surin Pitsuwan told Ambassador Marciel that getting relief to the Burmese people as soon as possible is his top priority. Marciel emphasized that the United States government's focus is to get aid to those in need and that the United States will work with the international community to accomplish this goal. Marciel also met with a group of leading economists to discuss current economic conditions and policy challenges in Indonesia. The primary focus of the discussion was the impact of rising food and fuel prices on Indonesia. The economists stressed the importance of attracting investment to the rural sector in order to reduce poverty and allow a greater portion of the Indonesian population to benefit from rising food prices. End Summary.

Secretary General Focused on Burma Assistance

¶2. (SBU) During their May 8 meeting, ASEAN Secretary General Surin Pitsuwan told Ambassador Marciel that getting relief to the Burmese people as soon as possible is his top priority. Surin stressed the need for all governments and relief organizations to think creatively about ways to get aid flowing to people in need. Marciel emphasized that the United States government's focus is to get aid to those in need and that the United States will work with the international community to accomplish this goal. Marciel noted that the United States had already provided satellite imaging technology to the Government of Burma and had helicopters in the region for a training exercise that the U.S. government could divert to Burma for relief work (reftel).

¶3. (SBU) Marciel and Surin also discussed broader ASEAN-U.S. cooperation. Surin expressed appreciation to the U.S. for appointing an Ambassador for ASEAN Affairs. He hoped other nations would follow the U.S. example. Surin also expressed his appreciation for U.S. technical assistance to ASEAN to help it achieve the goal of becoming one economic community by 2015. Surin plans to focus on promoting public awareness of the benefits of ASEAN within the member countries in the coming years. Marciel

noted that there is tremendous bipartisan support for increasing U.S. engagement with ASEAN. Marciel also asked Surin to think about whether ASEAN might be able to play a role in monitoring, formally or informally, Hmong repatriated back to Laos. Surin noted that this is a complex and long standing issue that will take time to resolve.

Economists Focus on Food and Fuel Crisis

14. (SBU) Ambassadors Marciel and Hume met with leading local economists to discuss current economic conditions and policy challenges in Indonesia on May 8. The primary focus of the discussion was the impact of rising food and fuel prices on Indonesia. The economists believe that the price of rice is the key political tipping point in Indonesia, given that roughly 50 percent of the population spends a quarter to a third of their income on rice. They predict that Indonesia will need to import rice in late 2008 or early 2009, potentially sending rice prices to all time highs in advance of the April parliamentary elections.

15. (SBU) Most Indonesian farmers remain net rice consumers and the rural and urban poor are extremely vulnerable to increases in rice and other food prices. Neil McCullough of the Asia Foundation criticized the government for failing to make agriculture investment a priority in the wake of the 1997-98 financial crisis. He noted that there has been no significant innovation in farming in Indonesia in the last 15 years. Decentralization has further undermined Indonesia's agriculture extension services, which are critical to bringing new technology and market information to farmers, according to the economists. University of Indonesia

JAKARTA 00001015 002 OF 002

academic and government advisor Chatib Basri pointed out that the government is acutely aware of the impact of rising food and fuel prices on the poor. He asserted that the government created the plan to partially remove fuel subsidies to take pressure off the budget and to justify introducing a large cash transfer program to poor families to offset the rising price of food and other consumer products.

16. (SBU) Attracting investment to the rural sector in order to reduce poverty and allow a greater number of Indonesian farmers to take advantage of rising food prices should be a government priority, according to the economists. They expressed hope that local elections would penalize leaders who fail to attract investment and new jobs to their areas. The economists cited the example of Vietnam, where competition among local political leaders has led to a vast improvement in the investment environment across the country, as a model for Indonesia. The experts also stressed the role of the central government in building better infrastructure in rural communities. Although spending on social programs such as health and education can be effective at the local level, infrastructure spending is more difficult to develop on a small scale. Decentralization has significantly lowered the pool of funds available for infrastructure investment in Indonesia, according to the economists attending the discussion.

17. (U) DAS Marciel approved this message.

HUME